



# Economic Activity Index

For the month of July 2010

September 3, 2010



# Commentary for the month of July 2010

GDB-EAI for the month of July was 128.0, experiencing a decline in year-over-year growth rate after five consecutive months of improvement

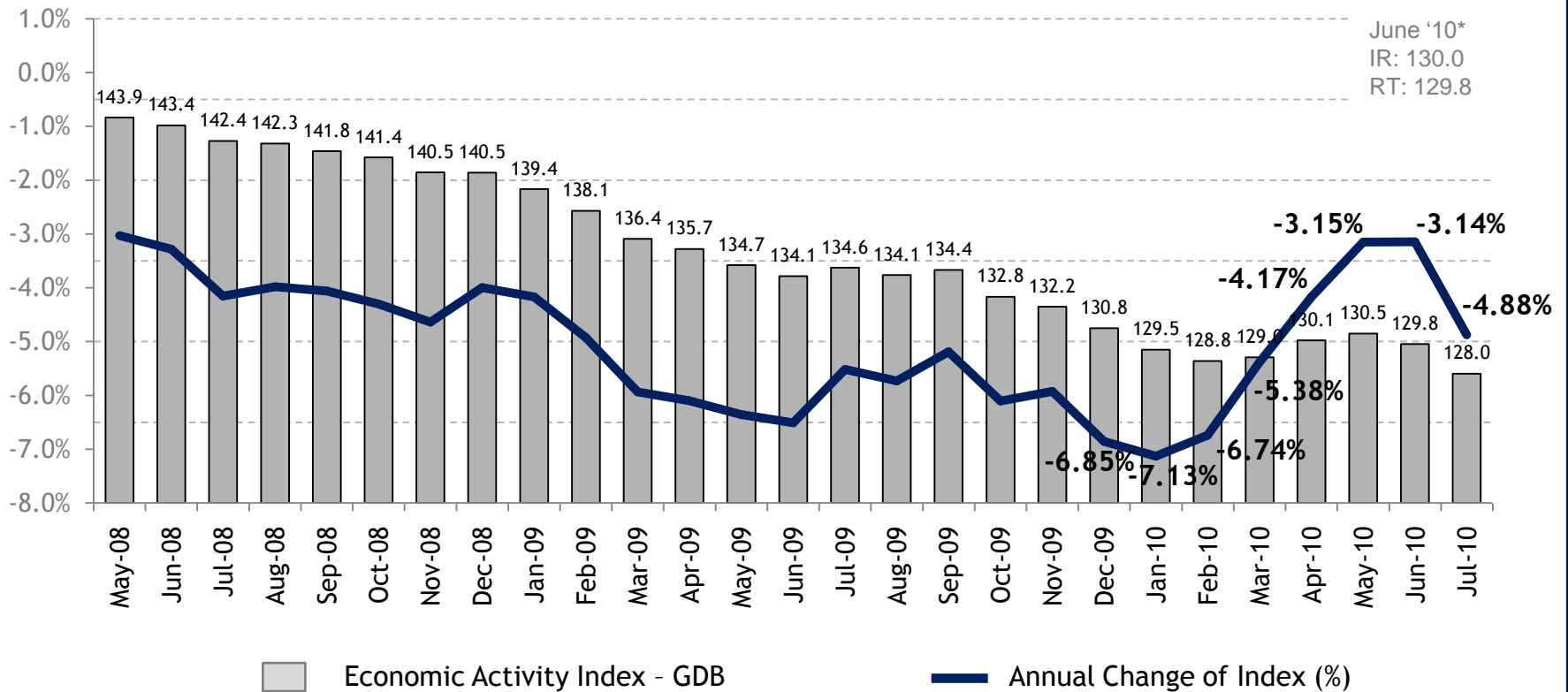
- The GDB-EAI reflected a month-over-month decline of 1.4% in July 2010 principally as a result of a decline in the four components of the index after all had shown growth in the month of June. The results are similar to the trend observed in the national economy for the month of July. Compared to July 2009 (year-over-year basis) the GDB-EAI showed a decline of 4.9%.
- Year-over-year growth rates continue to show improvement when comparing last 6-month period of CY 2009 with -5.89% and CY 2010 with -4.57%.
- The GDB-EAI components registered the following month-over-month changes in July 2010:
  - Payroll employment: -1.9% after a +0.2% in June 2010
  - Cement sales: -7.9% after a +6.2% in June 2010
  - Gasoline consumption: -17.7% after a +3.9% in June 2010
  - Electric power consumption: -3.1% after a +4.2% in June 2010
- Construction sector continued its decline during the month of July reporting cement sales of 1.456 million bags, a decline of 7.9% on a month-over-month basis.
- Electricity consumption was 1,629.7 million kWh, reflecting a 4.4% year-over-year decline during the month of July 2010.
- Gasoline consumption during month of July 2010 totaled 77.0 million gallons, reflecting a month-over-month decline of 17.7% after a June 2010 month-over-month growth of 3.9%.



# GDB Economic Activity Index

## For the month of July 2010

### GDB Economic Activity Index

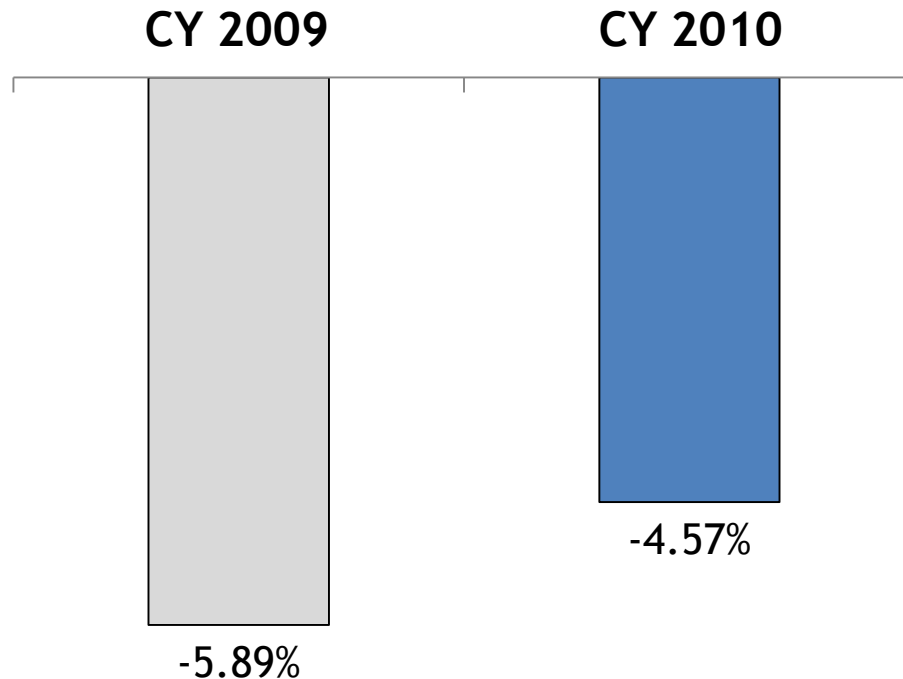


Data used for GDB-EAI is adjusted for seasonality and volatility.



The last six months of CY 2010 has shown improvement in economic activity, but still reflects a contraction

### Average year-over-year growth rate



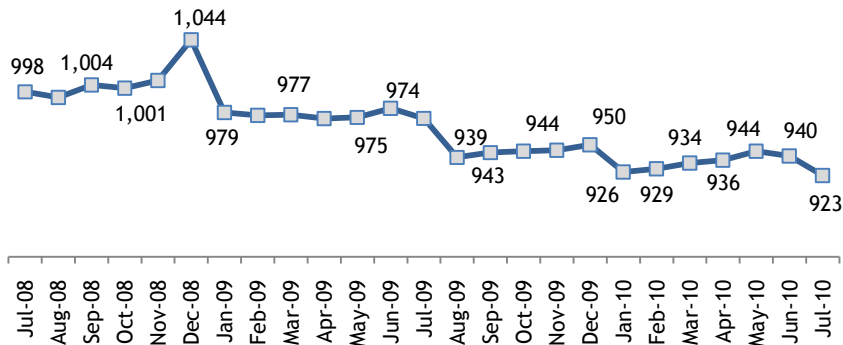
Last 6-month period



# GDB Economic Activity Index Components

## Total Payroll Employment

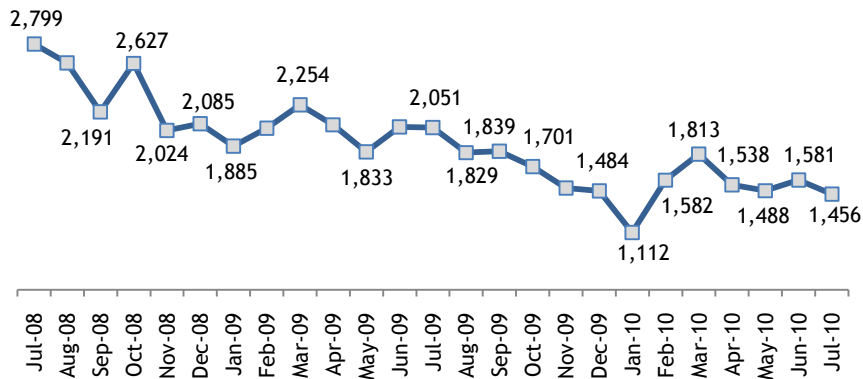
(Thousands of jobs)



- 4,200 job growth for the month of July 2010 in the services, financial activities and tourism sector.
- This job growth was offset by a reduction in government and private sector educational employment due to the summer break, and in the transportation and construction sectors.
- Total payroll employment resulted in a decline of 1.9% on a month-over-month basis.

## Cement Sales

(Cement Bags sold, in thousands)



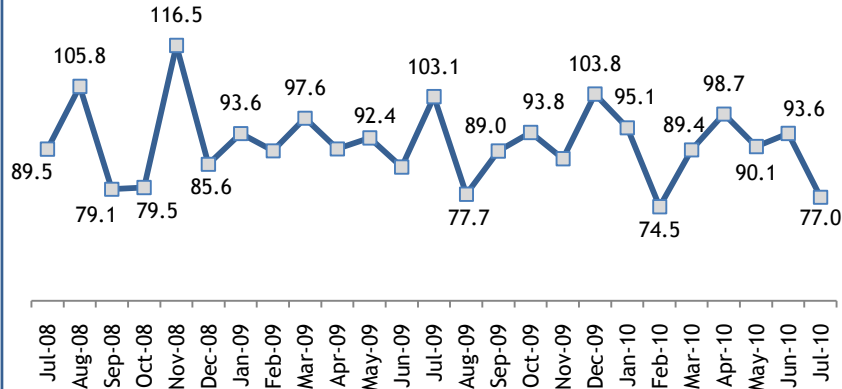
- Cement sales reported during the month of July were 1.456 million, a month-over-month decline of 7.9%



# GDB Economic Activity Index Components

## Gasoline Consumption

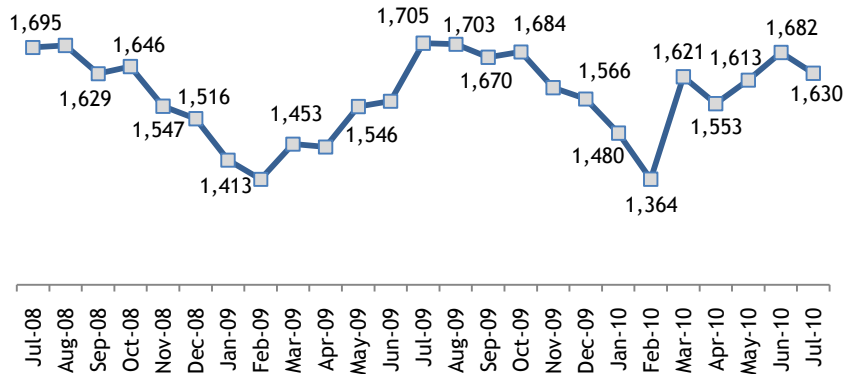
(Millions of gallons)



- Gasoline consumption during the month of July totaled 77.0 million gallons.
- Monthly average consumption of gasoline for FY 2010 was 91.3 million gallons versus 91.9 million gallons in FY 2009.

## Electric Power Consumption

(Millions of kWh)



- Electricity consumption was 1,629.7 million kWh during the month of July 2010.
- Consumption reflected a 4.4% year-over-year decline.
- For the fiscal year ended June 30, 2010 electric power consumption was 3.9% over FY2009, signaling a strong improvement in energy consumption.



# Description of the GDB-Economic Activity Index

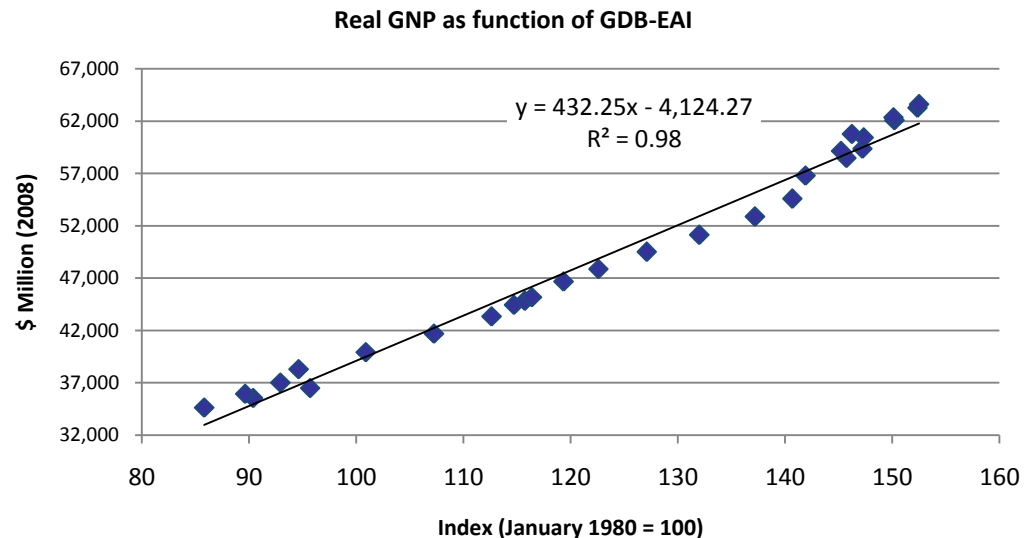


# Description of the GDB-Economic Activity Index (GDB-EAI)

- The GDB-EAI is a coincident index for the economy of Puerto Rico. It is a valuable tool that summarizes the behavior of four major monthly economic indicators.
- This index was developed following the methodology similar to that used by *The Conference Board* in their coincident index. This methodology follows a standard procedure to adjust the data for seasonality and volatility factors.

## High Correlation with Puerto Rico Real GNP

The GDB-EAI levels show a high degree of correlation ( $R^2$  of 0.98) with respect to Real GNP levels







# GDB-EAI Highlights and Composition

## GDB Economic Activity Index Highlights

### Advantages of the GDB-EAI:

- Readily available
- Highly correlated to Puerto Rico's real GNP
- Reliable tool to monitor actual trend of Puerto Rico economy

### The GDB-EAI is made up of 4 indicators:

- Total Payroll Employment (Establishment Survey/ Thousand of employees)
- Total Electric Power Consumption (Millions of KWH)
- Cement Sales (Millions of bags)
- Gas Consumption (Millions of gallons)



## Disclaimer

The GDB Economic Activity Index and its indicators are subject to monthly revisions. While the information comprising the GDB Economic Activity Index has been obtained from sources GDB believes to be reliable, GDB is not responsible for any errors or omissions, or for the results obtained from the use of this information.